

PUBLIC EMPLOYEES RETIREMENT BOARD
Employee Investment Advisory Council
100 North Park
Helena MT 59601
December 20, 2007

Kathy Samson; Council Chair with the following in attendance, called the meeting to order:

Council Members:

Tom Schneider, Labor Organization Representative
Tom Bilodeau, Labor Organization Representative
Ed Dawes, State Employee Representative
Mary Spaulding, State Employee Representative
Ron Alles, Local Government Employee Representative
Lisa Smith, Local Government Employee Representative
Pam Fleisner, School District Employee Representative
Jim Penner, Retired Public Employee Representative

Others in attendance are as follows: MPERA staff: Melanie Symons and Roxanne Minnehan

Not in attendance:

Retired:

Robert Bugni, Board of Investments Representative

Excused:

Paula Stoll, State Employee Representative
Kevin McRae, University System Representative
James Helgeson, Local Government Employee Representative

HOUSEKEEPING ITEMS

Ron Alles moved to accept the minutes of the November 27, 2007 EIAC meeting. Tom Schneider made the second. Motion passed

Public Comments: There were no public or participant comments.

Quarterly Data Sheets

Data sheets will be received from Wilshire quarterly instead of annually. Question: Ron asked if quarterly meetings are necessary to go over these sheets. Generally, EIAC agreed that too many meetings would be tedious and not an effective use of the fund representatives time. Kathy and other members agree that it would be beneficial for Quarterly reports to have side by side comparisons reflecting changes with quarterly review when immediate action is needed. The full review would continue on an annual basis.

Investment Policy Statements Review

Policy statements were changed last year such as: section 3 of the investment policy, sub categories were added under the evaluation policy A, B, C and D a review status, a probation status, the ability to continue in probation status, and the termination status. Quantitative measures were added as well as Qualitative measures to determine the evaluation. Jim Penner moved to accept IPS with 2 minor word changes Tom Schneider seconded. None opposed. The changes were:

1. Requirements under A refer to the Association of Investment Management and Research and it should be CFA Institute, the web site is CFAInstitute.org.
2. A wording problem on the bottom of the same page should be changed, the language reads incorrectly. It should be changed to "final determination as to the action for the funds status."

Pam Fleisner commented that she "believes the IPS is a work in process. "

Investment Option Recommendations

SSGA International Growth – 401 (a) plan

The Consultant recommended termination, Jim Penner agreed and moved to terminate SSGA International Growth Opportunities: they have been on probation from 2005 thru 2007 and were recommended for termination in 2005. Tom Bilodeau seconded. The fund continued to underperform the peer group and did not improve. EIAC vote to terminate was unanimous.

Hotchkis & Wiley Mid-Cap fund

Tom Schneider moved to terminate the Hotchkis & Wiley funds in both 457 and 401 (a) plans as they did not meet any of the criteria in the Board's IPS. The performance has dropped significantly relative to the Russell Index and its peers for the quarter, 1 year and 3 year periods. Jim Penner seconded. EIAC's vote to terminate and search for a new manager was unanimous.

Munder Small-Cap Value and 457 plan

Tom Schneider recommended probation, Ron Alles seconded. The rational is to give it a higher level of attention then review. Ron Alles would like a record or summary on why: 50% overweighed in financials
EIAC vote was unanimous.

Oakmark International and 401 (a)

Consultant recommended probation, Tom Schneider moved to accept the consultant's recommendation, Mary Spaulding seconded. The rational is the performance and the morning star ratings are falling below the benchmark: quarterly and annual returns were below the benchmarks and indices because of the 34% weighting in financials. The fund meets the Sharpe Ratio Criteria, but not the Morningstar ratings. Probation was recommended as the fund bears watching. EIAC vote to recommend probation was unanimous.

CLOSING BUSINESS

Tom Schneider moved to adjourn

Jim Penner Second

Kathy Samson adjourned the meeting.